

**PUBLIC UTILITY DISTRICT NO. 1
OF
BENTON COUNTY**

Date: July 12, 2011
Time: 9:00 a.m.
Place: 2721 West 10th Avenue, Kennewick, Washington

Present-Benton PUD:

Commissioners Hall and Sanders
General Manager Sanders
Assistant General Manager Bartram
Legal Counsel Hultgrenn
Director of Engineering Dunn
Director of Operations Hunter
Director of Power Management Bickford
Manager of Risk Management and Treasury White
Manager of Accounting Meyer
Manager of Communications and Governmental Relations Miller
Manager of Products and Services Johnson
Manager of Human Resources Walsh
Administrative Assistant II – Finance, Henderson
Supervisor of Executive Administration Cole

Excused: Commissioner Robert Bertsch

Guests: Larry Felton, Bonneville Power Administration; Jeb Spengler, Seattle Northwest Securities

General Manager led the pledge of allegiance.

Commissioner Jeff Hall excused President Robert Bertsch from attendance at today's meeting.

Treasurer's Report

Treasurer reviewed the June 2011 Treasurer's Report. The Commission accepted the June 2011 Treasurer's Report. The counterparty credit and sector reports were reviewed. An update on the Build America Bond missing subsidy payment was provided.

General Manager requested that Consent Agenda Item 5F, Constellation Energy Commodities, be removed from consideration at today's commission meeting and the Commission concurred.

Management Reports

General Manager:

1. A list of utilities asked to participate in the Washington State University Power Systems Engineering Program was distributed. A discussion was held on Energy Northwest's past

participation in a membership of this nature, and the need to identify the direct benefit of such a membership to the public entity participating. A list of benefits developed by the Power Systems Program was distributed.

Manager of Communications and Governmental Relations:

1. Talking points on bills relating to Energy Independence Act (I-937) were distributed. A joint public hearing with Franklin PUD on the proposed bills is preliminarily scheduled for August 23, 2011. Additional information will be forthcoming upon confirmation from Franklin PUD of their commissioners' availability.
2. In January a letter was sent to Senators Cantwell and Murray requesting their help on a fix on the health reimbursement VEBA program to allow non-dependents to be beneficiaries. A bill is going to get introduced this week that will clarify that non-dependents can be beneficiaries.
3. A letter from Northwest RiverPartners and 19 other organizations on concerns relating to Rebecca Wodders' nomination for Assistant Secretary for Fish, Wildlife and Parks was distributed.

Assistant General Manager:

1. The Commission was updated on I-937 cost cap issues, noting that the District is actively involved in working toward a consistent methodology. An update was provided on BPA substitute resource issues.

Director of Power Management:

1. There was no activity to report on the Quarterly Conservation Rebate report.
2. No Frederickson report was provided because the plant did not run. No additional information on the possible sale of the District's portion of Frederickson was available for the meeting today.

General Manager:

1. The Commission was thanked for attending and providing valuable discussion during the Strategic Planning workshop. Staff is compiling data learned from the meeting and will bring back that information along with next steps in the process at the next commission meeting.

Consent Agenda

Motion by Lori Sanders, seconded by Jeff Hall to approve the Consent Agenda, removing Item 5F, Constellation Energy Commodities, as follows:

- a) Approving the minutes of the regular Commission Meeting of June 28, 2011.
- b) Approving the minutes of Special Commission Meeting of June 29, 2011.
- c) Approving the Travel Report dated July 12, 2011.
- d) Approving Vouchers audited and certified by the auditing officer as required by RCW 42.24.080, and those expense reimbursement claims certified as required by RCW 42.24.090, have been recorded on a listing made available to the Commission. As of this date, the Commission does approve the following for payment: Accounts Payable Automated Clearing House (ACH) payments 6937-6982 in the total amount of \$182,804.14, Warrants (CHK) 49282-49350 in the total amount of \$240,178.76, Electronic Fund Transfer (EFT) payments 2510-2514 in the total amount of \$529,036.69, Customer Refund (ERM) payments 49351-49414 in the total

amount of \$4,653.47; Residential Conservation Rebates credits on customer accounts in the total amount of \$295.00; Payroll Direct Deposit Advice 06/23/11 29950-30111 in the total amount of \$309,548.96 for a grand total of \$1,266,517.02.

- e) Reviewing Hanson Consulting – Second Quarter Report 2011.
- f) Removed from agenda.
- g) Reviewing Jobs Report for Commission dated July 5, 2011.
- h) Reviewing Contracts Activity Report to Commission dated July 5, 2011.
- i) Approving Work Order No. 108663 for installation of three phase electrical facilities to provide service to Easterday Farms Storage Facilities.
- j) Approving Contract Completion and Acceptance for Security Monitoring System Upgrade by Moon Security for Contract No. 10-38-04 (CPO No. 22226), in the amount of \$80,669.42, including tax.
- k) Authorizing the General Manager, on behalf of the District, to approve Change Order No. 1 of Contract No. 11-46-01 with Paramount Communications, Inc., increasing the contract amount by \$24,155.75 for a new not-to-exceed amount of \$157,903.25.

MOTION CARRIED.

Other Business

Assistant General Manager discussed an opportunity for refunding bonds and a possible new money issuance. Staff continues to review and plans to bring a recommendation to the next commission meeting.

Mr. Jeb Spengler of Seattle Northwest Securities gave a presentation on market updates, recent electric utility transactions, the District's debt profile and considerations, and four refunding options.

Manager of Risk Management and Treasury gave an updated presentation on the District's financial forecast as it relates to bond issue options. The May 10, 2011 forecast, Scenario 2, was briefly discussed, and the four bond issue options were reviewed, showing their impact to the forecast in future years. General Manager noted that at this time staff supports a refunding plus \$10M in restructured debt.

Assistant General Manager distributed a proposed resolution that would allow capital expenditures incurred beginning August 1, 2011 to be reimbursed by the proceeds of any new money bonds. It was noted the resolution does not commit the District to a refunding and bond issuance.

Motion by Jeff Hall, seconded by Lori Sanders to adopt Resolution No. 2131 providing for the reimbursement of certain expenditures out of the issuance and sale of reimbursement bonds.

MOTION CARRIED.

At 10:20 a.m., Commissioner Jeff Hall announced that the Commission Meeting would recess for five minutes.

At 10:25 a.m., Commissioner Jeff Hall announced that the Commission Meeting would reconvene into regular open public session.

Director of Power Management reviewed the Western Electricity Coordinating Council (WECC) website compliance contract, and concerns with contractual language in the area of non-disclosure. Director stressed that until the District executes the Agreement that no access can be gained to the website. The website provides NERC compliance notices and issues. Director recommended the Commission authorize the signing of the Agreement, while continuing to work with WECC on the non-disclosure language within the contract.

Legal Counsel Hultgrenn discussed specific concerns relating to non-disclosure language and acknowledged the need to sign the Agreement, while understanding the risks associated with the non-disclosure portion of the contract.

Motion by Lori Sanders, seconded by Jeff Hall authorizing the General Manager, on behalf of the District, to sign BPUD Contract No. 11-51-10 with OATI for their WebCares Customer Agreement (Agreement) for District Access to Western Electric Coordinating Council's (WECC) secure portal.

MOTION CARRIED.

Future Planning

General Manager informed the Commission that George Caan, new Executive Director of the Washington PUD Association (WPUDA), is in town August 9th, and would like to go to lunch and get a tour of Benton PUD in the afternoon.

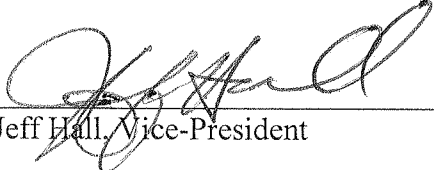
At 10:30 a.m., Vice-President Jeff Hall announced that the Commission Meeting would go into Executive Session with legal counsel for 10 minutes for the purpose of discussing potential litigation.

At 10:40 a.m., Vice-President Jeff Hall announced that the Commission Meeting would reconvene into regular open public session.

Motion by Lori Sanders, seconded by Jeff Hall authorizing and ratifying the execution by the District's General Counsel of the Joint Defense Agreement among various municipalities relating to the claim of Innovatio IP Ventures that certain activities of the District and others infringe upon various patents owned by Innovatio IP Ventures.

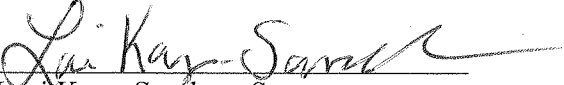
MOTION CARRIED.

Hearing no objection, Vice-President Jeff Hall adjourned the Commission Meeting at 10:45 a.m.



Jeff Hall, Vice-President

ATTEST:



Lori Kays-Sanders, Secretary